

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* St. Ignace Township	County* MACKINAC	Type* TOWNSHIP	MuniCode* 49-1-110
Opinion Date-Use Calendar* Sep 26, 2008	Audit Submitted-Use Calendar* Sep 29, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts Issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 176,487.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 132,641.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 526,507.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* James	Last Name* Cusenza	Ten Digit License Number* 1101012888		
CPA Street Address* 923 Spring Street	City* Petoskey	State* MI	Zip Code* 49770	Telephone* +1 (231) 347-4136
CPA Firm Name* Hill, Schroderus & Co., LLP	Unit's Street Address* 2373 Shore Drive	Unit's City* St Ignace	Unit's Zip* 49781	

**FINANCIAL REPORT  
ST. IGNACE TOWNSHIP  
MARCH 31, 2008**

**ST. IGNACE TOWNSHIP  
FINANCIAL REPORT  
March 31, 2008**

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September 26, 2008

Independent Auditors' Report

Township Board  
St. Ignace Township  
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ignace Township's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hill Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

Township of St. Ignace  
N4298 Gorman Road  
Mailing Address 2373 Shore Drive  
St. Ignace, Michigan 49781  
Office Phone 906-643-8935  
TDD 711

Dale Nelson, Supervisor  
906-643-9307

Donna Harju, Clerk  
906-643-8935

Sheryl Schairer, Treasurer  
906-643-9145

Steven Campbell, Trustee  
906-643-7536

Donald Schairer, Trustee  
906-643-9145

## **Management's Discussion and Analysis**

### **Overview of the Basic Financial Statements**

St. Ignace Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

### **Fund Financial Statements**

The fund financial statements report on the governmental funds and proprietary fund, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The proprietary fund financial statements present information as it would appear for a private-sector business.

St. Ignace Township is an Equal Opportunity Provider and Employer. Complaints of discrimination should be sent to: USDA, Director of Civil Rights, Washington D.C. 20250-9410.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the government-wide financial statements.

St. Ignace Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Road Improvement Fund. These are the governmental funds, which are considered to be major funds.

## Notes to the Financial Statements

The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-wide Financial Analysis

The table below summarizes the Township's net assets as of March 31, 2008:

<b>St. Ignace Township</b> <b>Statement of Net Assets</b> <b>March 31, 2008</b>						
	Governmental Activities		Business-Type Activity		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	\$ 740,831	\$ 743,913	\$ (190,009)	\$ 63,726	\$ 550,822	\$ 807,639
Capital assets - net of accum. dep.	105,499	111,437	2,843,026	2,898,354	2,948,525	3,009,791
<b>Total assets</b>	<b>\$ 846,330</b>	<b>\$ 855,350</b>	<b>\$ 2,653,017</b>	<b>\$ 2,962,080</b>	<b>\$ 3,499,347</b>	<b>\$ 3,817,430</b>
<b>Liabilities</b>						
Current liabilities	19,875	20,819	16,808	259,905	36,683	280,724
Bonds payable, long-term portion	-	-	629,000	636,000	629,000	636,000
<b>Total liabilities</b>	<b>19,875</b>	<b>20,819</b>	<b>645,808</b>	<b>895,905</b>	<b>665,683</b>	<b>916,724</b>
<b>Net Assets</b>						
Investment in capital assets						
net of related debt	105,499	111,437	1,964,748	2,011,621	2,070,247	2,123,058
Restricted	164,120	-	8,260	14,000	172,380	14,000
Unrestricted	556,836	723,094	34,201	40,554	591,037	763,648
<b>Total net assets</b>	<b>826,455</b>	<b>834,531</b>	<b>2,007,209</b>	<b>2,066,175</b>	<b>2,833,664</b>	<b>2,900,706</b>
<b>Total liabilities and net assets</b>	<b>\$ 846,330</b>	<b>\$ 855,350</b>	<b>\$ 2,653,017</b>	<b>\$ 2,962,080</b>	<b>\$ 3,499,347</b>	<b>\$ 3,817,430</b>

At the end of the fiscal year, St. Ignace Township is able to report positive balances in all categories of net assets. The first portion of the Township's net assets is its investment in capital assets (land, buildings/building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The restricted net assets represent amounts limited for spending on debt service, road construction and maintenance, recreation and liquor law enforcement.

The remaining portion of net assets – unrestricted net assets – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**St. Ignace Township  
Statement of Activities  
Year Ended March 31, 2008**

	Governmental Activities		Business-Type Activity		Totals	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 7,269	\$ 13,957	\$ 55,988	\$ 51,458	\$ 63,257	\$ 65,415
General revenue:						
Property taxes	134,744	103,932	-	-	134,744	103,932
Federal revenues	10,317	21,486	-	-	10,317	21,486
State shared revenues	75,959	75,472	-	-	75,959	75,472
Local revenues	29,347	20,317	-	-	29,347	20,317
Interest	17,573	17,306	-	-	17,573	17,306
Federal grants	-	-	-	48,400	-	48,400
Other	1,561	2,349	-	-	1,561	2,349
Total revenues	276,770	254,819	55,988	99,858	332,758	354,677
<b>Function/Program Expenses</b>						
General government	95,281	89,071	-	-	95,281	89,071
Public safety	27,598	38,342	-	-	27,598	38,342
Public works	132,046	182,148	11,915	20,362	143,961	202,510
Health and welfare	11,194	-	-	-	11,194	-
Community & econ. develop.	190	-	-	-	190	-
Recreation and culture	12,599	10,407	-	-	12,599	10,407
Interest expense	-	-	29,040	14,602	29,040	14,602
Depreciation (unallocated)	5,938	5,939	73,999	55,383	79,937	61,322
Total expenses	284,846	325,907	114,954	90,347	399,800	416,254
Change in net assets	(8,076)	(71,088)	(58,966)	9,511	(67,042)	(61,577)
Net assets - beginning of year	834,531	905,619	2,066,175	2,056,664	2,900,706	2,962,283
Net assets - end of year	\$ 826,455	\$ 834,531	\$ 2,007,209	\$ 2,066,175	\$ 2,833,664	\$ 2,900,706



As reported above, the Township recorded \$399,800 of expenses. The Township's governmental activities were funded primarily with property tax revenues. State shared revenues, tribal revenues, and national forest revenues were other notable sources.

The Township experienced a decrease in net assets of \$ 67,042.

### **Business-Type Activity Financial Analysis**

As of year-end, the Township's business-type activity reported total net assets of approximately \$2,007,209, which is \$58,966 less than the beginning of the year.

### **The Township's Funds**

The analysis of the Township's major funds begins on page five. As of year-end, the Township governmental funds reported a combined fund balance of \$720,956, which is \$2,138 less than the beginning of the year. The decrease was mainly due to road work that was done during the year.

### **General Fund Budgetary Highlights**

Final budgeted revenues were the same as originally adopted as no amendments were made to these budgets.

Final actual revenues were slightly over final budgeted amounts. State revenues and charges for services were higher than budgeted.

Final actual expenditures were less than final budgeted amounts. The largest budget variances were due to lower clerk costs, and ambulance costs.

### **Road Improvement Fund Budgetary Highlights**

Final budgeted revenues and expenditures remained unchanged from original budgeted amounts.

Final actual revenues were about \$29,000 greater than final budgeted amounts. Property taxes were greater than expected.

Final actual expenditures were also greater than budgeted amounts. The largest budget variance was due to unanticipated construction on various road projects.

## Capital Assets and Debt Administration

At March 31, 2008, the Township had \$2,948,525 invested in capital assets. The following table summarizes the capital asset activity for the year:

### St. Ignace Township Year Ended March 31, 2008

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2008</u>
Land	\$ 5,550	\$ -	\$ -	\$ 5,550
Buildings and improvements	138,991	-	-	138,991
Equipment	<u>2,972,451</u>	<u>18,671</u>	<u>-</u>	<u>2,991,122</u>
Total capital assets	3,116,992	18,671	-	3,135,663
Less accum. depreciation	<u>(107,201)</u>	<u>(79,937)</u>	<u>-</u>	<u>(187,138)</u>
Net capital assets	<u>\$ 3,009,791</u>	<u>\$ (61,266)</u>	<u>\$ -</u>	<u>\$ 2,948,525</u>

The bonds outstanding at year-end are revenue bonds related to this project. Future sewer fund revenues will be utilized for repayment of these bonds.

## Financial Contact

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Treasurer, St. Ignace Township.

**ST. IGNACE TOWNSHIP**  
**Statement of Net Assets**  
**March 31, 2008**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$ 452,584	\$ 14,892	\$ 467,476
Receivables:			
Taxes	16,241	-	16,241
Other	-	19,472	19,472
Internal balances	242,278	(242,278)	-
Due from fiduciary fund	24,157	-	24,157
Due from other governmental units	5,571	-	5,571
Total current assets	<u>740,831</u>	<u>(207,914)</u>	<u>532,917</u>
<b>Noncurrent Assets</b>			
Restricted for bond and interest redemption	-	17,905	17,905
Land	5,550	-	5,550
Other capital assets	157,705	2,972,408	3,130,113
Less: accumulated depreciation	(57,756)	(129,382)	(187,138)
Total noncurrent assets	<u>105,499</u>	<u>2,860,931</u>	<u>2,966,430</u>
Total assets	<u><u>\$ 846,330</u></u>	<u><u>\$ 2,653,017</u></u>	<u><u>\$ 3,499,347</u></u>
 <b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 8,392	\$ 163	\$ 8,555
Due to other governmental units	11,483	-	11,483
Accrued interest	-	9,645	9,645
Bonds payable, due within one year	-	7,000	7,000
Total current liabilities	<u>19,875</u>	<u>16,808</u>	<u>36,683</u>
<b>Noncurrent Liabilities</b>			
Bonds payable, due in more than one year	<u>-</u>	<u>629,000</u>	<u>629,000</u>
Total liabilities	<u>19,875</u>	<u>645,808</u>	<u>665,683</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	105,499	1,964,748	2,070,247
Restricted for debt service	-	8,260	8,260
Restricted for roads	155,444	-	155,444
Restricted for recreation	7,671	-	7,671
Restricted for liquor law enforcement	1,005	-	1,005
Unrestricted	556,836	34,201	591,037
Total net assets	<u>826,455</u>	<u>2,007,209</u>	<u>2,833,664</u>
Total liabilities and net assets	<u><u>\$ 846,330</u></u>	<u><u>\$ 2,653,017</u></u>	<u><u>\$ 3,499,347</u></u>

**ST. IGNACE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental activities:							
General government	\$ 95,281	\$ 3,233	\$ -	\$ -	\$ (92,048)	\$ -	\$ (92,048)
Public safety	27,598	4,036	-	-	(23,562)	-	(23,562)
Public works	132,046	-	-	-	(132,046)	-	(132,046)
Health and welfare	11,194	-	-	-	(11,194)	-	(11,194)
Community & economic development	190	-	-	-	(190)	-	(190)
Recreation and culture	12,599	-	-	-	(12,599)	-	(12,599)
Unallocated depreciation	5,938	-	-	-	(5,938)	-	(5,938)
Total governmental activities	284,846	7,269	-	-	(277,577)	-	(277,577)
Business-type activity:							
Sewer	114,954	55,988	-	-	-	(58,966)	(58,966)
Total primary government	\$ 399,800	\$ 63,257	\$ -	\$ -	(277,577)	(58,966)	(336,543)
General revenues:							
Property taxes					134,744	-	134,744
Federal revenues					10,317	-	10,317
State-shared revenues					75,959	-	75,959
Local revenues					29,347	-	29,347
Interest and investment earnings					17,573	-	17,573
Miscellaneous					1,561	-	1,561
Total general revenues					269,501	-	269,501
Change in net assets					(8,076)	(58,966)	(67,042)
Net assets - beginning of year					834,531	2,066,175	2,900,706
Net assets - end of year					\$ 826,455	\$ 2,007,209	\$ 2,833,664

See accompanying notes to the basic financial statements.

**ST. IGNACE TOWNSHIP**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2008**

<u><b>Assets</b></u>	<u>General</u>	<u>Road Improvement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 270,381	\$ 136,827	\$ 45,376	\$ 452,584
Taxes receivable	6,901	7,453	1,887	16,241
Due from other funds	252,449	11,164	2,822	266,435
Due from other governmental units	5,571	-	-	5,571
	<u>5,571</u>	<u>-</u>	<u>-</u>	<u>5,571</u>
Total assets	<u>\$ 535,302</u>	<u>\$ 155,444</u>	<u>\$ 50,085</u>	<u>\$ 740,831</u>
<u><b>Liabilities and Fund Balances</b></u>				
<b>Liabilities</b>				
Accounts payable	\$ 8,392	\$ -	\$ -	\$ 8,392
Due to other governmental units	403	-	11,080	11,483
	<u>403</u>	<u>-</u>	<u>11,080</u>	<u>11,483</u>
Total liabilities	<u>8,795</u>	<u>-</u>	<u>11,080</u>	<u>19,875</u>
<b>Fund balances</b>				
Unreserved, reported in:				
General	526,507	-	-	526,507
Special Revenue	-	155,444	39,005	194,449
	<u>-</u>	<u>155,444</u>	<u>39,005</u>	<u>194,449</u>
Total fund balances	<u>526,507</u>	<u>155,444</u>	<u>39,005</u>	<u>720,956</u>
Total liabilities and fund balances	<u>\$ 535,302</u>	<u>\$ 155,444</u>	<u>\$ 50,085</u>	<u>\$ 740,831</u>

**ST. IGNACE TOWNSHIP**  
**Reconciliation of Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**March 31, 2008**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 720,956</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of net assets, these assets are capitalized and depreciated  
over their estimated useful lives.

Governmental capital assets	163,255
Accumulated depreciation	<u>(57,756)</u>

<b>Net Assets of Governmental Activities</b>	<b><u>\$ 826,455</u></b>
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**ST. IGNACE TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2008**

	General	Road Improvement	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 66,675	\$ 54,349	\$ 13,720	\$ 134,744
Federal revenues	-	10,317	-	10,317
State revenues	74,770	-	1,189	75,959
Local revenues	20,310	9,037	-	29,347
Charges for services	3,233	-	4,036	7,269
Interest and rentals	9,938	5,541	2,094	17,573
Other	1,561	-	-	1,561
Total revenues	176,487	79,244	21,039	276,770
<b>Expenditures</b>				
Current:				
General government	95,281	-	-	95,281
Public safety	20,704	-	6,894	27,598
Public works	4,762	127,284	-	132,046
Health and welfare	11,194	-	-	11,194
Community & economic development	190	-	-	190
Recreation and culture	-	-	12,599	12,599
Total expenditures	132,131	127,284	19,493	278,908
Excess (deficiency) of revenues over expenditures	44,356	(48,040)	1,546	(2,138)
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	510	510
Operating transfers out	(510)	-	-	(510)
Total other financing sources (uses)	(510)	-	510	-
<b>Net change in fund balances</b>	43,846	(48,040)	2,056	(2,138)
<b>Fund balances - beginning of year</b>	482,661	203,484	36,949	723,094
<b>Fund balances - end of year</b>	\$ 526,507	\$ 155,444	\$ 39,005	\$ 720,956

**ST. IGNACE TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (2,138)</b>
---	-------------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of these assets is allocated over  
their estimated useful lives as depreciation.

Current year depreciation	<u>(5,938)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (8,076)</u></b>
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**ST. IGNACE TOWNSHIP**  
**Statement of Net Assets**  
**Proprietary Fund**  
**March 31, 2008**

	Business-Type Activity Enterprise Fund Sewer System
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 14,892
Accounts receivable	19,472
Total current assets	<u>34,364</u>
<b>Noncurrent Assets</b>	
Restricted for bond and interest redemption	17,905
Depreciable assets	2,972,408
Less: accumulated depreciation	<u>(129,382)</u>
Total noncurrent assets	<u>2,860,931</u>
Total assets	<u><u>\$ 2,895,295</u></u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 163
Interest payable	9,645
Bonds payable, due within one year	<u>7,000</u>
Total current liabilities	<u>16,808</u>
<b>Noncurrent Liabilities</b>	
Due to General Fund	242,278
Bonds payable, due in more than one year	<u>629,000</u>
Total noncurrent liabilities	<u>871,278</u>
Total liabilities	<u>888,086</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,964,748
Restricted for debt service	8,260
Unrestricted	<u>34,201</u>
Total net assets	<u>2,007,209</u>
Total liabilities and net assets	<u><u>\$ 2,895,295</u></u>

ST. IGNACE TOWNSHIP  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended March 31, 2008

	Business-Type Activity Enterprise Fund
	Sewer System
<b>Operating revenues</b>	
Charges for services	\$ 55,988
<b>Operating expenses</b>	
Other supplies and expenses	11,915
Depreciation	73,999
Total operating expenses	85,914
Operating income (loss)	(29,926)
<b>Nonoperating revenues (expenses)</b>	
Interest expense	(29,040)
Change in net assets	(58,966)
Total net assets - beginning of year	2,066,175
Total net assets - end of year	\$ 2,007,209

**ST. IGNACE TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended March 31, 2008**

	Business-Type Activity Enterprise Fund
	Sewer System
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 52,405
Payments to suppliers	(11,915)
	<hr/>
Net cash provided (used) by operating activities	40,490
	<hr/>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets and contracts payable	(18,671)
Principal paid on bonds	(7,000)
Interest paid on bonds	(28,935)
	<hr/>
Net cash provided (used) for capital and related financing activities	(54,606)
	<hr/>
Net increase (decrease) in cash	(14,116)
	<hr/>
<b>Cash, beginning</b>	46,913
	<hr/>
<b>Cash, ending</b>	<u><u>\$ 32,797</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (29,926)
	<hr/>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,999
(Increase) decrease in accounts receivable	(2,659)
Increase (decrease) in accounts payable	(924)
	<hr/>
Total adjustments	70,416
	<hr/>
Net cash provided (used) by operating activities	<u><u>\$ 40,490</u></u>

ST. IGNACE TOWNSHIP  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
March 31, 2008

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Cash	<u>\$ 137,653</u>
<b><u>Liabilities</u></b>	
Due to other funds	\$ 24,157
Due to County	16,713
Due to Schools	<u>96,783</u>
Total liabilities	<u>\$ 137,653</u>

**ST. IGNACE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

St. Ignace Township operates under an elected Board of Trustees and provides services to its residents in many areas including: fire protection, public safety and improvements, planning and zoning, recreation and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by the St. Ignace Township:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS –CONTINUED**

In the government-wide Statement of Net Assets, both the governmental and business-type activity are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

**Governmental Funds**

The following is a description of the major governmental funds of the Township:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Road Improvement Fund** – The Road Improvement Fund is used for Township road improvements and maintenance. Primary financing is through a specific annual property tax levy and federal grants.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL – CONTINUED**

In addition, the Township reports the following non-major governmental funds:

**Special Revenue Funds**

**Recreation Fund** – The recreation fund is used to account for funds raised for operating the recreation program. Primary financing is through a specific annual property tax levy authorized by a vote of the electors of the Township. The Township Board approves all transactions.

**Liquor Control Fund** – The Liquor Fund has been established as there is no full time police department. The purpose of the fund is to account for the distribution of State liquor law enforcement money. All transactions are approved by the Township Board. Financing is through the State of Michigan revenue sharing.

**Water/Fire Hydrant Fund** – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through interest revenue and General Fund transfers.

**Building Fund** – The Building Fund is used to account for revenues earmarked for building construction code enforcement activities. All transactions are approved by the board. Primary financing is through building permits and General Fund transfers.

**Proprietary Fund**

The focus of the proprietary fund is upon the determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary fund of the Township:

**Sewage Disposal Utility Fund** – The Sewer Fund is an Enterprise Fund. The fund will be financed and will operate in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing sewer service to the general public will be recovered through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fiduciary Fund**

The fiduciary fund is used to account for assets held by the City in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting, however report only assets and liabilities.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Agency Fund** – The Agency Fund accounts for the collection and payment of property tax levies.

**BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand and demand deposits.

**Interfund Receivables/Payables**

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

**Capital Assets**

Capital assets, which include property, buildings, leasehold improvements, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are equal to or greater than \$1,000 and an estimated useful life in excess of 2 years for all asset types except for land. Land is capitalized if cost exceeds \$1.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED**

**Capital Assets – Continued**

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	20 to 60 years
Sewer Systems	34 to 40 years
Office Equipment & Furniture	5 to 10 years
Leasehold Improvements	20 to 40 years

**Long-Term Obligations**

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**COMPARATIVE DATA**

Comparative data for the prior year is not included in the Township's financial statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the fund budgets are legally enacted through passage of an appropriation act.
4. The budget is adopted at the fund level consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures Over Appropriations in Budgetary Funds P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted on a fund basis.

During the year ended March 31, 2008, the Township incurred expenditures in one budgetary fund, which was in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Road Improvement	\$ 50,000	\$ 127,284	\$ 77,284

### NOTE 3: DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned to it. At year-end, the carrying amount of the Township's deposits was \$623,034 and the bank balance was \$623,185. Of the bank balance, \$234,311 was covered by Federal depository insurance. The remaining \$388,874 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds.

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 3: DEPOSITS – CONTINUED

Pooling of Cash - The Township pools cash to maximize its investment return:

<u>Fund</u>	<u>Amount</u>
<b>Primary Government</b>	
General	\$ 127,454
Road Improvement	72,227
Other Nonmajor Governmental Funds	<u>15,051</u>
Total pooled cash	214,732
Cash not held in pooled accounts:	
Primary government	270,649
Fiduciary Funds	<u>137,653</u>
Total cash	<u><u>\$ 623,034</u></u>

## NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Township as of the preceding December 31. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year for which they are levied.

The Township is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$1.50 per \$1,000 of taxable valuation for general governmental services and for the payment of principal and interest on general obligation long-term debt. The 2007 State taxable valuation of the St. Ignace Township totaled \$29,285,817.

The tax rate for the year ended March 31, 2008, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	\$1.4693 per \$1,000
Road improvements	\$1.8502 per \$1,000
Recreation	\$ .4678 per \$1,000

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances within the primary government are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 252,449	\$ -
Road Improvement Fund	11,164	-
Recreation Fund	2,822	-
Sewer Fund	-	242,278
Fiduciary Fund	-	24,157
	<u>\$ 266,435</u>	<u>\$ 266,435</u>

In November 2006 the General Fund transferred \$242,278 to the Sewer Fund to help pay for an additional by pass section of sewer line that had to be installed to eliminate an odor issue. The sewer fund will repay the \$242,278 back to the General Fund over a 40 year period. In addition, the Sewer Fund will pay the General Fund interest at an annual rate of 2%. As of March 31, 2008 no payments have been made.

The remaining balances are for property taxes.

## NOTE 6: INTERFUND TRANSFERS

Operating transfers within the primary government are as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 510
Building Fund	510	-
	<u>\$ 510</u>	<u>\$ 510</u>

The operating transfers are for general operations of the Building Fund.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity of the Township's primary government for the current year was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:	\$ 5,550	\$ -	\$ -	\$ 5,550
Capital assets being depreciated:				
Buildings and improvements	138,991	-	-	138,991
Office equipment and furniture	18,714	-	-	18,714
Subtotal	157,705	-	-	157,705
Less accumulated depreciation:				
Buildings and improvements	(40,202)	(3,715)	-	(43,917)
Office equipment and furniture	(11,616)	(2,223)	-	(13,839)
Subtotal	(51,818)	(5,938)	-	(57,756)
Net capital assets being depreciated:	105,887	(5,938)	-	99,949
Governmental activities net capital assets	<u>\$ 111,437</u>	<u>\$ (5,938)</u>	<u>\$ -</u>	<u>\$ 105,499</u>
	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 2,953,737	\$ 18,671	\$ -	\$ 2,972,408
Less accumulated depreciation:				
Equipment	(55,383)	(73,999)	-	(129,382)
Net capital assets being depreciated:	2,898,354	(55,328)	-	2,843,026
Business-type activities net capital assets	<u>\$ 2,898,354</u>	<u>\$ (55,328)</u>	<u>\$ -</u>	<u>\$ 2,843,026</u>
Depreciation expense was charged to the primary government as follows:				
<b>Governmental Activities</b>				
Unallocated				\$ 5,938
Total governmental activities				<u>\$ 5,938</u>
<b>Business-type Activities</b>				
Sewer				\$ 73,999
Total business-type activities				<u>\$ 73,999</u>

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 8: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<b>Business-type Activity</b>					
Bonds and notes payable:					
Revenue bonds					
2008 Sewage Disposal	\$ 643,000	\$ -	\$ 7,000	\$ 636,000	\$ 7,000

Long-term liabilities payable at December 31, 2008 is composed of the following individual issue:

Business-Type Activity:

\$649,000, 2006 St. Ignace Township Revenue Bonds due in annual installments of \$6,000 to \$34,000 through January 1, 2044; interest at 4.50%.

\$ 636,000

The annual debt service requirements to maturity for all general and revenue obligation bonds outstanding excluding premium and refunding deferrals, as of March 31, 2008, are as follows:

Year Ending March 31	Business-Type Activity	
	Principal	Interest
2009	\$ 7,000	\$ 28,620
2010	7,000	28,305
2011	8,000	27,990
2012	8,000	27,630
2013	8,000	27,270
2014-2018	48,000	130,365
2019-2023	59,000	118,665
2024-2028	74,000	104,040
2029-2033	92,000	85,860
2034-2038	115,000	63,225
2039-2043	143,000	34,965
2044	67,000	4,545
Total	<u>\$ 636,000</u>	<u>\$ 681,480</u>

The revenue bonds were issued on February 3, 2005 to provide funding for the Township sewage disposal system construction. The bonds are callable at the issuer's option beginning on January 1, 2006. Prepayment amounts would consist of principal plus interest accrued to the call date.

**NOTE 9: PENSION PLAN**

The Township provides pension benefits for all of its employees, including board members, meeting certain minimum requirements through a defined contribution plan sponsored by the Municipal Retirement Systems, Inc. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township contributes to the plan; the plan does not provide for employee contributions.

The Township's contributions to the plan include a component for current service plus a component for up to 10 years of prior service rendered before April 1, 1991. Contributions for current service are at 12 percent of current compensation. Contributions for prior service are computed at 1 percent of current compensation for each year of prior service.

The Township contributed \$6,262, including \$195 to cover pension administrative expenses, to the plan during fiscal year 2008. This contribution was based on salaries of \$52,920 while total fiscal 2008 Township payroll was \$56,788. Contributions to the plan are invested in annuities issued by insurance companies.

**NOTE 10: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

The Township continues to carry worker's compensation insurance through the State of Michigan Accident Fund.

**NOTE 11: SUBSEQUENT EVENT**

In July 2008 the Township board passed a resolution to increase the sewage disposal usage rates.

## REQUIRED SUPPLEMENTARY INFORMATION



**ST. IGNACE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 482,661	\$ 482,661	\$ 482,661	\$ -
<b>Resources (inflows):</b>				
Taxes	39,250	39,250	66,675	27,425
State revenues	67,712	67,712	74,770	7,058
Local revenues	20,000	20,000	20,310	310
Charges for services	6,000	6,000	3,233	(2,767)
Interest and rentals	9,000	9,000	9,938	938
Other	-	-	1,561	1,561
Amounts available for appropriations	624,623	624,623	659,148	34,525
<b>Charges to appropriations (outflows):</b>				
General government:				
Trustees	4,400	4,400	4,313	(87)
Supervisor	11,400	11,400	11,048	(352)
Elections	2,000	2,000	2,194	194
Assessing	17,200	17,200	18,053	853
Professional services	8,500	8,500	8,078	(422)
Clerk	15,600	18,250	15,005	(3,245)
Board of review	1,000	1,700	2,249	549
Treasurer	17,000	17,000	15,929	(1,071)
Publishing	500	500	107	(393)
Building and equipment	3,000	3,000	3,694	694
Cemetery	1,000	1,000	1,710	710
Insurance	5,000	5,000	4,783	(217)
Other	8,800	7,099	8,118	1,019
Total general government:	95,400	97,049	95,281	(1,768)
Public safety:				
Fire protection	20,000	18,350	16,904	(1,446)
Fire hydrant rent	3,900	3,800	3,800	-
Total public safety	23,900	22,150	20,704	(1,446)
Public works:				
Street lighting	5,000	5,000	4,762	(238)
Health and welfare:				
Ambulance	15,540	14,540	11,194	(3,346)
Community and economic development:				
Planning and zoning	1,000	1,000	190	(810)
Capital Outlay	1,000	1,000	-	(1,000)
Transfers out	-	-	510	510
Total charges to appropriations	141,840	140,739	132,641	(8,098)
<b>Ending budgetary fund balance</b>	<u>\$ 482,783</u>	<u>\$ 483,884</u>	<u>\$ 526,507</u>	<u>\$ 42,623</u>

**ST. IGNACE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Road Improvement Fund**  
**For the Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over/(Under)</u>
<b>Beginning budgetary fund balance</b>	\$ 203,484	\$ 203,484	\$ 203,484	\$ -
<b>Resources (inflows):</b>				
Taxes	36,000	36,000	54,349	18,349
Federal revenues	8,400	8,400	10,317	1,917
Local revenues	-	-	9,037	9,037
Interest	5,600	5,600	5,541	(59)
	<u>253,484</u>	<u>253,484</u>	<u>282,728</u>	<u>29,244</u>
Amounts available for appropriations				
	<u>253,484</u>	<u>253,484</u>	<u>282,728</u>	<u>29,244</u>
<b>Charges to appropriations (outflows):</b>				
Public works	50,000	50,000	127,284	77,284
	<u>50,000</u>	<u>50,000</u>	<u>127,284</u>	<u>77,284</u>
<b>Ending budgetary fund balance</b>	<u>\$ 203,484</u>	<u>\$ 203,484</u>	<u>\$ 155,444</u>	<u>\$ (48,040)</u>

OTHER SUPPLEMENTAL INFORMATION

**ST. IGNACE TOWNSHIP**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**March 31, 2008**

<b><u>Assets</u></b>	<b>Recreation Fund</b>	<b>Liquor Control Fund</b>	<b>Water / Fire Hydrant Fund</b>	<b>Building Fund</b>	<b>Total</b>
Cash	\$ 14,042	\$ 1,005	\$ 30,325	\$ 4	\$ 45,376
Taxes receivable	1,887	-	-	-	1,887
Due from other funds	2,822	-	-	-	2,822
<b>Total assets</b>	<b><u>\$ 18,751</u></b>	<b><u>\$ 1,005</u></b>	<b><u>\$ 30,325</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 50,085</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Due to other governmental units	\$ 11,080	\$ -	\$ -	\$ -	\$ 11,080
<b>Fund balances</b>					
Unreserved, special revenue funds	7,671	1,005	30,325	4	39,005
<b>Total liabilities and fund balances</b>	<b><u>\$ 18,751</u></b>	<b><u>\$ 1,005</u></b>	<b><u>\$ 30,325</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 50,085</u></b>

**ST. IGNACE TOWNSHIP**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2008**

	Recreation Fund	Liquor Control Fund	Water / Fire Hydrant Fund	Building Fund	Total
<b>Revenues</b>					
Taxes	\$ 13,720	\$ -	\$ -	\$ -	\$ 13,720
State revenues	-	1,189	-	-	1,189
Charges for services	-	-	-	4,036	4,036
Interest and rentals	436	42	1,587	29	2,094
Total revenues	14,156	1,231	1,587	4,065	21,039
<b>Expenditures</b>					
Current:					
Public safety	-	720	1,600	4,574	6,894
Recreation	12,599	-	-	-	12,599
Total expenditures	12,599	720	1,600	4,574	19,493
Excess (deficiency) of revenues over expenditures	1,557	511	(13)	(509)	1,546
<b>Other financing sources (uses)</b>					
Operating transfers in	-	-	-	510	510
<b>Net change in fund balances</b>	1,557	511	(13)	1	2,056
<b>Fund balances - beginning of year</b>	6,114	494	30,338	3	36,949
<b>Fund balances - end of year</b>	<u>\$ 7,671</u>	<u>\$ 1,005</u>	<u>\$ 30,325</u>	<u>\$ 4</u>	<u>\$ 39,005</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



September 26, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Township Board  
St. Ignace Township  
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of and for the year ended March 31, 2008, which collectively comprise the St. Ignace Township's basic financial statements and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Ignace Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Ignace Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Ignace Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Ignace Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the St. Ignace Township's financial statements that is more than inconsequential will not be prevented or detected by St. Ignace Township's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

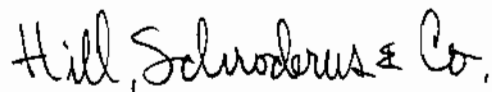
External Financial Reporting: The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note that Township's management does prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Ignace Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan